University of Twente

School of Management and Governance

Prof. Dr. Holger Schiele
Dr. Niels Pulles
Frederik Vos

Master Thesis

Dyadic Perception Asymmetry in Buyer-Supplier Relationships: Influences on the Buyer's Overestimation of Preferred Customer Status

Abstract: Recently, an increasing number of firms employ new supply chain management practices. Resulting from that, research focused on new ways to gain a competitive edge. The concept of being core suppliers' preferred customer received increasing attention in this research avenue. The aim of this paper is to find out what factors affect the different perceptions of preferred customer status (PCS) by buyer and supplier as previous literature recently called for more dyadic research on differing perceptions by actors involved in supply chain relationships. Main focus of this study is placed on the buyer's overestimation of PCS. The method employed to determine the influences of several relational and environmental variables on the overestimation of PCS was partial least squares path modelling. Further insights were derived from two additional models relating the variables to the buyer's underestimation of the firm's customer status as well as to the average deviation of perceived PCS by buyer and supplier. The results show great influences of relational capital, namely trust on deviations of perceived customer status and present evidence of a "dark side" of relational capital in buyer-supplier relationships. On the other hands the results show that dependence seemingly has no influence on differing perceptions of preferred customer status.

Julius Laurenz
s1369806
j.laurenz@student.utwente.nl

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1. Introduction: A shift of research focus arguing for Preferred Customer Status as a new way to deal with increasing global competition

More and more organizations implement practices such as global sourcing, and increasingly rely on purchasing from an international supply base[1]. These developments lead to a growing strategic importance of purchasing and supply management[2]. One measure that received increasing attention from theory and practice is aiming to become a preferred customer of core suppliers. A preferred customer is, as Steinle and Schiele (2008) pose it, a customer that receives preferential resource allocation from certain suppliers[3]. Receiving preferential treatment from suppliers can result in competitive advantage, and thus it can be assumed that preferred customers outperform other companies[4].

Empirical evidence suggests that buyers and suppliers often have differing perceptions of supply chain attributes, such as for instance relational norms[5]. Therefore, researching differing perceptions of customers' preferred customer status could prove to be beneficial. Knowing the factors that influence the way buyer and supplier perceive the buyer's customer status, can advance theory and practice manifold. At first, it can expand current research on preferred customer status as well as dyadic studies on buyer-supplier relations, by researching the influences on perceptions of PCS using both the supplier's and the buyer's view. Further, the results can help purchasing managers to better estimate their customer status, by pointing out the factors that have to be paid attention to since they influence the actor's perceptions. It is important to know the different perceptions that actors have about their relationship, as views on many matters can be different among buyer and supplier[6] and therefore are likely to influence the outcomes of the relationship and its effectiveness. Differing perceptions of the counterpart's

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[1] See Trent & Monczka, 2003, p. 26; Steinle & Schiele, 2008, p. 4
[2] See van Weele & van Raaij, 2014, p. 68
[3] See Steinle & Schiele, 2008, p. 11
[4] See Hüttinger, Schiele, & Veldman, 2012, p. 1194
[5] See Chen, Su, & Ro, 2016, p. 2
[6] See Chen et al., 2016, p. 2

behaviour could have implications on the relationships. For instance if one actor in the relationship somewhat distrusts the other actor, it is likely that a certain threat of opportunism is also expected from the counterpart[7]. This in turn then could lead to a different behaviour than toward a trusted counterpart. In line with Yamagishi (2001) who argued that distrusting actors often miss opportunities for benefits[8] the behaviour of the first actor might be harmful for the buyer-supplier relationship when the other actor actually is trustworthy and has no ambitions for opportunism, even if perceived different by the first actor.

This paper focuses on the different perceptions of the preferred customer status of companies in a buyer-supplier relationship and what factors influence these differences. The study is based on the results of a questionnaire that researched multiple items of buyer-supplier relationships between a company and its suppliers for indirectly procured material. Various variables where assessed in that questionnaire. Among these where variables measuring social factors such as trust and dependence, as well as items measuring environmental factors such as market concentration and uncertainty. Additionally, items concerning the preferred customer status from the buyer and the supplier perspective where measured. These included for instance items measuring the preferential treatment the supplier offers to the buyer. The questionnaire was also used in the study of Vos, Schiele and Hüttinger (2016) concerning the antecedents and outcomes of supplier satisfaction for direct and indirect procurement[9].

The aim of this paper is to find out what factors influence dissimilarities in the way the buyer perceives his preferred customer status in contrast to how the supplier actually awards this status to the buyer. As previous papers mostly focus on either side of the buyer-supplier relationship, Oosterhuis, Molleman and van der Vaart (2013) amongst others called for more research taking a dyadic view on buyer-supplier relationship and examining the way the actor's perceptions of this relationship differ[10]. Results of their study showed significant differences of the actors'

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[7] See Hawkins, Knipper, & Strutton, 2009
[8] See Yamagishi, 2001, p. 142
[9] See Vos, Schiele, & Hüttinger, 2016
[10] See Oosterhuis, Molleman, & van der Vaart, 2013, p. 169

perceptions of supply chain attributes such as communication, demand and technology uncertainty, as well as dependence and supplier performance[11]. Similar to that, Chen, Su and Ro (2016) argued for dyadic studies of perceptions in buyer-supplier relationships, since a sole focus on the buyer perspective can be "problematic because suppliers do not always share the same views as their buyer counterparts on a number of important matters"[12]. They showed that buyer and supplier indeed perceive relational mechanisms derived from social exchange theory (SET) in different ways.

Accordingly, it can be argued that knowing what factors influence the perceptions of the preferred customer status of both buyer and supplier could prove to be beneficial for their relationship. Knowing the influences on an eventual under- or overestimation of the buyer of his customer status can for instance help to make future estimations more precise. When both actors in a relationship perceive their status toward each other similar, it is likely that both are more satisfied and there might be an increase in relationship performance. Additionally, issues could be easier to resolve as both actors tend to see themselves on a similar level in the relationship. Understanding what leads to differences in perceptions of the preferred customer status is a valuable addition to the emerging body of research in the field of preferred customership. The research question that was derived from the previous arguments is as follows: *Which factors influence the differences in buyer and supplier perceptions of the same relational phenomenon (the buyer's preferred customer status)?*

This paper contributes to the existing literature in several ways. At first, it presents indicators of what factors could lead a buyer to over- or underestimate his relationship with a supplier when evaluating his preferred customer status under certain conditions. Therefore, offering practitioners several aspects that have to be paid attention to when assessing whether the focal company is a certain supplier's preferred customer. Second, it adds to the literature of dyadic studies about buyer-supplier relationship by further going into the differing perceptions of supply chain partners. Together with other researchers, such as Oosterhuis et al. (2013) and

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[11] See Oosterhuis et al., 2013, p. 169
[12] Chen et al., 2016, p. 2

Chen et al. (2016), the aim is to show that dyadic studies are needed to provide insights that studies employing a uni-lateral viewpoint cannot grasp. The paper therefore employs a dyadic point of view in order to paint a more complete picture of the buyer and supplier's perceptions of preferred customer status. Lastly, it also adds to the growing body of research on the preferred customer status of a buying firm, and how it best can be reached by showing the influences different factors could have on the preferred customer status. Furthermore, it provides further insights in the way this concept develops under the different perceptions of the buyer and supplier. It shows that dependence does not seem to influence perception whereas trust leads to great differences in perception of PCS.

The remainder of this paper will be structured as follows, the next section will briefly introduce the concept preferred customer status, followed by benefits that result from being preferred customer. The section afterwards will contain a review of the literature concerning antecedents of preferred customer status, further factors that have an influence on it as well as theory on how actors in a relationship perceive this relationship differently. Following will be a methodology section explaining the methods used in the analyses. After this, results will be presented, discussed and a conclusion will be reached.

1.1 History of the Preferred Customer concept: Developed from literature focusing on buyer attractiveness

The concept of being a supplier's preferred customer has only quite recently received more attention. It was a result of a shift from traditional viewpoints where suppliers compete for buyers to buyers trying to be more attractive to suppliers to achieve preferential treatment[13]. This increase in research focusing on buyer attractiveness is driven by increasing allocation of responsibilities in the supply chain to suppliers[14], decreasing numbers of suppliers in certain

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[13] See Hüttinger et al., 2012, p. 1194; Schiele, Calvi, & Gibbert, 2012, p. 1178
[14] See Schiele, Calvi, et al., 2012, p. 1178

industries such as for example the automotive industry[15] as well as the change from a closed way of innovating to a more open way, where firms from the focal company's network are involved in innovation activities[16]. These drivers lead more and more research to study the concepts of "reverse marketing" or "customer attractiveness" to shed light on how to actually be attractive to suppliers and successfully compete for their business.

A first note of preferred customers was taken by Hottentstein (1970) who found that many businesses, based on prior experience or future expectations have a list of preferred customers[17]. Similar, Blenkhorn and Banting (1991) argue that customers have to be proactive toward their suppliers by being attractive in order to actually receive what they need[18]. Among the first of the more recent studies was that of Schiele (2006) concluding that firms "may want to become the 'preferred customer' of such valuable [innovative] suppliers, ensuring their prime commitment"[19]. This finding was later redefined when a consortial benchmarking method showing that a firm pursuing a preferred customer strategy with core suppliers can, amongst other benefits, reap suppliers' innovativeness before competitors gain access to the suppliers' innovations[20]. Similar, Steinle and Schiele (2008) found that cluster-based companies often have a preferred customer status with suppliers in that cluster and receive preferential treatment from those suppliers[21].

Based on previous literature from SET a cyclical model of preferred customer status was developed. It is composed of the concepts customer attractiveness which together with high supplier satisfaction can lead to a company's preferred customer status[22]. An illustration of this is the "circle of preferred customership" developed by Schiele, Veldman and Hüttinger (2012).

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[15] See Maurer, Dietz, & Lang, 2004, p. 9; Schiele, Calvi, et al., 2012, p. 1179
[16] See Schiele, Calvi, et al., 2012, p. 1178
[17] See Hottenstein, 1970, p. 46
[18] See Blenkhorn & Banting, 1991, p. 187
[19] Schiele, 2006, p. 931
[20] See Schiele, 2012, p. 47
[21] See Steinle & Schiele, 2008, p. 11
[22] See Schiele, Calvi, et al., 2012, p. 1180

The model describes that customer attractiveness and high levels of supplier satisfaction can lead to a preferred customer status which then starts the process anew by leading to further increased customer attractiveness[23]. It will be further elaborated on circle of preferred customer status in an own section.

Consequently, customer attractiveness and supplier satisfaction can be argued to be antecedents of preferred customer status. According to Hüttinger et al., (2012) the literature on preferred customer status and preferential treatment by suppliers has "received little attention" and thus is "still in its infancy"[24], so they argue that more research has to be undertaken into the way preferred customer status develops, namely between individuals or between companies as a whole, as well as into the benefits that result from being a preferred customer. Further, they propose that research into PCS could benefit from a clearer and more robust link to the strategic management literature[25]. Recent literature already covered some of these suggestions. Several authors already researched the benefits that buyers can receive from being a preferred customer. Therefore, the next section will describe these benefits.

1.2 Pricing behavioural, technological and resource as major categories of benefits of Preferred Customer Status

When companies are their supplier's preferred customer, they can profit from the supplier's benevolence in relation to their competing buyers. Resulting from that, they can gain a competitive advantage[26]. Benefits resulting from preferred customership can be grouped into three main groups, pricing behavioural benefits; technology benefits; as well as resources and time benefits.

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[23] See Schiele, Veldman, & Hüttinger, 2012, p. 13
[24] Hüttinger et al., 2012, p. 1203
[25] See Hüttinger et al., 2012, p. 1203
[26] See Schiele, Veldman, & Hüttinger, 2011, p. 18

In relation to pricing benefits, it can be argued that preferred customers can benefit from a more benevolent pricing behaviour in comparison to their competing buyers[27]. Blenkhorn and Banting (1991) found price savings in ranges of 5 to 30%[28] for preferred customers. Nollet, Rebolledo and Popel (2012) further found that suppliers also tend to be more receptive to further price negotiations with their preferred customers and also contribute to buyer's cost savings potential by for example inventory management or decreasing manufacturing costs[29]. Furthermore, there are multiple ways in which suppliers add value to their preferred customers, by for instance reducing costs in terms of inventory and operations in the buyer-supplier relationship[30].

Next to price and pricing behavioural benefits, being a supplier's preferred customer can also lead to benefits for the company's products, technology or innovations. By being preferred customer of strategic suppliers, the buyer could gain access to that particular supplier's innovations before competitors do, or receive dedicated personnel of the supplier for new product development activities[31]. In line with that, not being a supplier's preferred customer could lead to negative impacts on delivery reliability[32]. Sometimes, suppliers even entered in exclusivity agreements with their preferred customers[33]. On top of that, suppliers often show a greater willingness to engage in collaborative product development activities and process improvement with their preferred customers[34]. Adding to that, Nollet et al., (2012) found that preferred customers receive benefits in terms of more consistent quality levels as well as better support and increased responsiveness[35]. Preferred customers furthermore, might be able to influence suppliers' direction of research[36]. A result from that can be an increase in product

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[27] See Moody, 1992, p. 57; Schiele et al., 2011, p. 16; Nollet, Rebolledo, & Popel, 2012, p. 1187
[28] See Blenkhorn & Banting, 1991, p. 188
[29] See Nollet et al., 2012, p. 1187
[30] See Christiansen & Maltz, 2002, p. 188; Hald, Cordón, & Vollmann, 2009, p. 963
[31] See Schiele, 2006, p. 46
[32] See Schiele, 2006, p. 47
[33] See Steinle & Schiele, 2008, p. 11
[34] See Schiele et al., 2011, p. 20
[35] See Nollet et al., 2012, p. 1187
[36] See Schiele, 2012, p. 47

customisability at that supplier[37]. Another benefit of PCS is that buyers can receive preferential resource allocation in case of supply chain disruptions through natural disasters or the like[38].

Benefits of a PCS concerning time and resources can be for example reduced lead times and increased supplier responsiveness[39] as well as being more flexible toward eventual short-term demands of the customer[40]. For their preferred customers, suppliers often take special care for orders, deliver missing components on short notice, keep safety stocks and even establish warehouses closer to the customer[41]. Additionally, benefits could include an increase of technology sharing and problem resolution as well as reduced materials utilisation during operations in the long-term[42]. Furthermore, companies might receive new material of the supplier for testing and acquisition before competitors, or even before commercial release[43]. Ellis, Henke and Kull (2012) also found a significant relation of PCS toward technology access[44], by showing that being a preferred customer of a supplier fully moderates the relationship between the buyer's inducement and the supplier's reciprocation thereof in terms of technology access. Finally, preferred customers are often able to gain access to the supplier's resources before competitors do, in case of resource bottlenecks which for example could emerge through natural catastrophes[45].

All in all, it can be argued that a company that is the preferred customer of certain suppliers will reap benefits from that supply relationship which competitors are not able to receive. These benefits can be distinguished among the categories price and pricing behaviour, product, technology and innovation, as well as benefits concerning resources and time. Necessary conditions to reap these benefits is it to be an attractive customer and achieve high levels of

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[37] See Steinle & Schiele, 2008, p. 11; Nollet et al., 2012, p. 1187
[38] See Schiele, 2006, p. 47
[39] See Christiansen & Maltz, 2002, p. 186; Nollet et al., 2012, p. 1187
[40] See Williamson, 1991, p. 81
[41] See Nollet et al., 2012, p. 1187
[42] See Christiansen & Maltz, 2002, p. 183
[43] See Christiansen & Maltz, 2002, p. 181
[44] See Ellis, Henke Jr, & Kull, 2012, p. 1265
[45] See Williamson, 1991, p. 79; Steinle & Schiele, 2008, p. 11; Nollet et al., 2012, p. 1187

supplier satisfaction. The next section will further discuss the consecutive steps on the way to preferred customer status.

1.3 The Circle of preferred customership presenting three consecutive steps to becoming a supplier's preferred customer

A company is a preferred customer when it receives "better treatment than other customers"[46] that is, this particular buyer is more interesting, better, or in any terms more valuable than regular customers and it could prove to be beneficial for both companies to engage in a special relationship. Benefits for the buyer for example involve preferential treatment in terms of resource allocation such as preferred access to the supplier's materials[47]. Schiele et al. (2012) proposed preferred customership to be of a cyclical nature including the concepts of customer attractiveness, supplier satisfaction and preferred customer status. Accordingly, a company at first has to increase its attractiveness for existing and potential customers and then achieve high

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[46] See Steinle & Schiele, 2008, p. 11
[47] See Schiele, Calvi, et al., 2012, p. 1179

supplier satisfaction in order to become a favoured customer of suppliers and reach a preferred customer status[48].
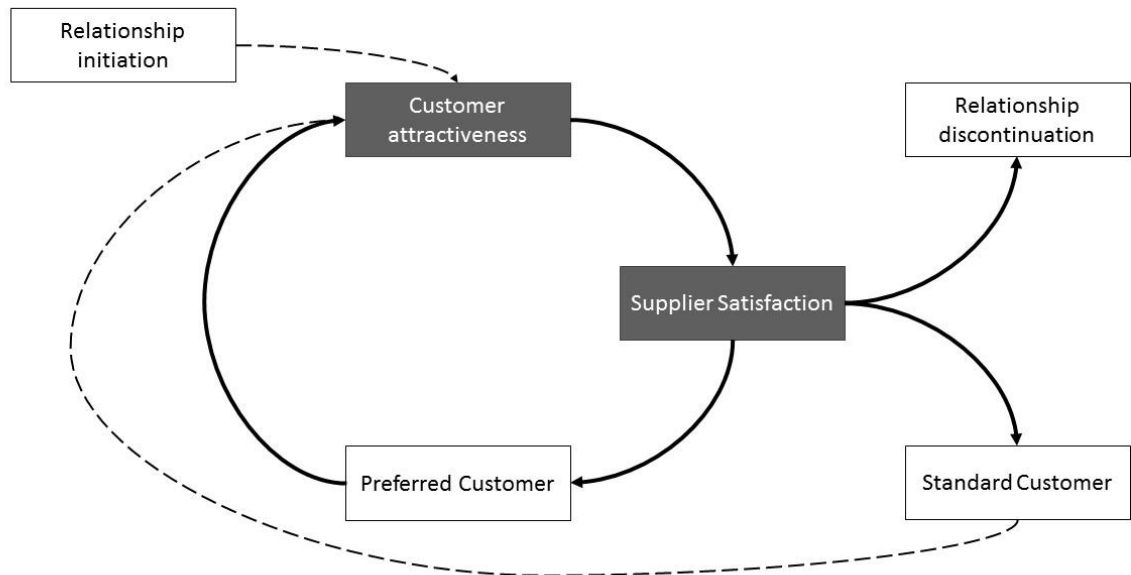
Figure 1 - Circle of Preferred Customer Status[49]

1.3.1 Customer attractiveness as first antecedent to Preferred Customer Status

Being attractive to suppliers lays a basis to becoming a preferred customer. Companies that are not able to be attractive in terms of purchasing volume or other financial factors should consider alternative approaches, such as for example becoming a "smart customer"[50] by for instance offering better technological solutions or new approaches to relationship management. Ellegaard and Ritter (2007) define attraction as "mutual construct which describes the strength

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[48] See Schiele, Veldman, et al., 2012, p. 13
[49] Adapted from: Schiele, Veldman, et al., 2012, p. 13
[50] See Cordón & Vollmann, 2008, p. 55

of the mutual interest of the two actors in each other [51]". Ramsay and Wagner (2009) identified sources of supplier value such as financial sources, efficiency based sources, as well as risk and uncertainty factors to influence customer attractiveness[52].

The first step of the circle of preferred customership is "customer attractiveness". A buyer that knows what factors influence his customer attractiveness can benefit by influence these to become a preferred customer. Hüttinger, Schiele and Veldman (2012) created an extensive literature review on that topic and classify the influencing factors found by many authors into five categories. Namely these are: market growth, risk, technological, economic, and social factors[53]. Market growth factors for instance include the company's size, market share and growth rate[54], as well as whether the customer might serve as a way to engaging in new markets or other customers[55]. Risk factors of customer attractiveness are amongst others risk sharing[56], level of transaction specific investment[57], but also include patent protection[58]. Technological factors that were identified in the literature review, are for example the customer's ability to cope with change[59], early R&D involvement and joint improvement[60]. Furthermore, the type and depth of the customer's skills as well as the customer's commitment to innovation were identified[61]. The economic factors found by previous literature include margins[62], price and volume bought[63]. Further influences are leveraging factors and capacity utilisation[64]. Lastly,

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[51] Ellegaard & Ritter, 2007, p. 4
[52] See Ramsay & Wagner, 2009, p. 136
[53] See Hüttinger et al., 2012, p. 1199
[54] See Fiocca, 1982, p. 57
[55] See Christiansen & Maltz, 2002; Hald et al., 2009, p. 964; Ramsay & Wagner, 2009, p. 131
[56] See Christiansen & Maltz, 2002, p. 191
[57] See Hald et al., 2009, p. 967
[58] See Fiocca, 1982, p. 57
[59] See Fiocca, 1982, p. 57
[60] See Ramsay & Wagner, 2009, p. 131
[61] See Fiocca, 1982, p. 57; Christiansen & Maltz, 2002, p. 190f
[62] See Fiocca, 1982, p. 57
[63] See Ramsay & Wagner, 2009, p. 131f
[64] See Fiocca, 1982, p. 57

there are social factors that influence a buyer's attractiveness. Among these social factors are communication and information exchange[65], but also the customer's behaviour[66].

In the beginning, literature about the concept argued that customer attractiveness solely was an antecedent to preferred customer status, but it more and more became clear that suppliers also have to be satisfied to award a customer PCS. As already stated, Schiele et al (2012) argue for a cyclical nature of preferred customership, where supplier satisfaction follows customer attractiveness as antecedents to preferred customer status. This argument was also empirically confirmed by Pulles et al. (2016), who in a recent study found that customer attractiveness loses some of its significance if suppliers tend to not be satisfied with the relationship[67]. This implies that it is not enough to solely be an attractive customer in order to achieve a preferred customer status with suppliers.

1.3.2 Supplier satisfaction as second condition to achieve Preferred Customer Status

Supplier satisfaction can be defined as "a feeling of equity with the supply chain relationship no matter what power imbalances […][68]" exist between supplier and buyer. More generally supplier satisfaction is defined by perceived value in a current relationship[69].

The second element of the circle of preferred customer ship is supplier satisfaction. Making business with unsatisfied suppliers is likely to fail, since unsatisfied suppliers will not put all their effort into the relationship[70]. In their conclusive literature review, Hüttinger et al., (2012) classify drivers of supplier satisfaction into technical excellence, supply value, operational excellence and mode of interaction[71]. The technical excellence dimension includes early

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[65] See Christiansen & Maltz, 2002, p. 192; Hald et al., 2009, p. 967
[66] See Ellegaard & Ritter, 2006, p. 7
[67] See Pulles, Schiele, Veldman, & Hüttinger, 2016, p. 137
[68] Benton & Maloni, 2005, p. 2
[69] See Pulles et al., 2016, p. 137
[70] See Wong, 2000, p. 427
[71] See Hüttinger et al., 2012, p. 1201

supplier involvement, technical competence[72], supplier development[73] as well as joint relationship effort[74]. Drivers from the dimension supply value include amongst others cooperative relationships[75], power sources[76] as well as profitability and growth opportunities[77]. The dimension operational excellence is influenced by the customer's business competence, order processes and payment habits, billing and delivery procedures as well as support offered to the suppliers[78]. Furthermore, the supplier's satisfaction is influenced by the customer's reliability, i.e. suppliers are more satisfied when the customer tends to be reliable[79]. The mode of interaction between the two companies in a buyer-supplier relationship can also have an impact on supplier satisfaction. Mode of interaction in this regard encompasses for instance the means of communication used between buyer and supplier as well as the politeness of the direct contact between them[80]. Information sharing also has an influence on the supplier's satisfaction[81]. Concerning the shared information, buyers value the accuracy of the counterpart's information, while suppliers place more emphasis on the timeliness of the information that arrives[82].

Ghijsen et al. (2010) further found that indirect relationship-based influence strategies such as information exchange, have a positive effect on supplier satisfaction. Some direct influence strategies, such as threats or requests tend to have a rather negative effect on supplier satisfaction[83].

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[72] See Essig & Amann, 2009, p. 105
[73] See Ghijsen, Semeijn, & Ernstson, 2010, p. 24
[74] See Nyaga, Whipple, & Lynch, 2010, p. 109
[75] See Wong, 2000, p. 429; Benton & Maloni, 2005, p. 9; Essig & Amann, 2009, p. 109
[76] See Benton & Maloni, 2005, p. 14
[77] See Vos et al., 2016, p. 9f
[78] See Essig & Amann, 2009, p. 109
[79] See Hüttinger, Schiele, & Schröer, 2014, p. 712; Vos et al., 2016, p. 9
[80] Essig & Amann, 2009, p. 109
[81] See Ghijsen et al., 2010, p. 24; Nyaga et al., 2010, p. 110
[82] See Whipple, Frankel, & Daugherty, 2002, p. 75f
[83] See Ghijsen et al., 2010, p. 22

1.3.3 Preferred Customer Status, the final step of the cycle of preferred customership

The final element of the circle of preferred customership is preferred customer status. When a buying firm achieves this status, it can reap benefits that competitors do not receive. Hüttinger et al., (2012) group the drivers of preferred customer status into the categories: economic value, relational quality, instruments of interaction and strategic compatibility[84]. The economic value dimension includes high purchasing volumes[85], profitability and total cost as calculation basis for the purchase price[86]. Growth opportunities, i.e. opportunities for the supplier to grow in parallel with the buyer can also play an important role for a supplier eventually awarding a preferred customer status[87]. Relational quality is driven by the customer's loyalty[88], his reliability[89], respect, fairness and mutual trust, as well as the customer's commitment to the relationship[90]. Furthermore, relational quality is influenced by how the customer acts to resolve problems with the supplier[91]. Another factor that influences the preferred customer status are instruments of interaction, i.e. the way the buyer chooses to communicate with the supplier. Early supplier involvement and involvement of the supplier in product design is one of these instruments of interaction[92]. On top of that, sharing of schedules, as well as intense communication and feedback, and action-oriented problem management are further factors of this dimension[93]. The last dimension that influences a buyer's PCS is the strategic compatibility of the two firms. Closer geographical proximity and cluster membership are major factors that influences the strategic compatibility of two firms, as it allows buyer and supplier form closer ties[94]. Additionally, if the firms are able to form technological linkages through a common technological path, their strategic compatibility also increases[95]

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[84] See Hüttinger et al., 2012, p. 1202
[85] See Moody, 1992, p. 52; Steinle & Schiele, 2008, p. 11
[86] See Moody, 1992, p. 53
[87] See Hüttinger et al., 2014, p. 712
[88] See Williamson, 1991, p. 81
[89] See Ellis et al., 2012, p. 1261; Hüttinger et al., 2014, p. 712
[90] See Moody, 1992, p. 52
[91] See Moody, 1992, p. 53
[92] See Moody, 1992, p. 52; Ellis et al., 2012, p. 1261
[93] See Moody, 1992, p. 53
[94] See Steinle & Schiele, 2008, p. 11
[95] See Steinle & Schiele, 2008, p. 6

In summary, customer attractiveness and supplier satisfaction can be seen as necessary conditions for becoming a supplier's preferred customer. Customer attractiveness is influenced by market, technological, risk, economic, and social factors. Being an attractive customer lays a sound basis for becoming a preferred customer. However, this solely is not enough to achieve a PCS. The targeted supplier also has to be satisfied with the relationship, in order to award the buyer a preferred customer status. Supplier satisfaction is influenced by technical excellence, supply value, operational excellence and mode of interaction. Suppliers that are satisfied with their customers are more likely to award them with a preferred customer status. However, there are further factors that influence a buyer's preferred customer status. On these it will be elaborated further in the next section.

1.4 Commitment, trust and dependence as further relational factors that influence Preferred Customer Status

In connection to customer attractiveness and supplier satisfaction some factors that possibly could further influence the preferred customer status of a company will be discussed in this section. When the buyer is aiming at creating relational value for the supplier, by avoiding "hassles, […] limiting additional costs to the supplier, while offering what it values the most, and developing at least a good […] relationship", it is more likely that this particular supplier's commitment into the relationship will increase[96]. Buying firms that increase commitment to long-term relationships with the supplier, are likely to reap firm performance increases[97]. Hald et al. (2009) also argue for an effect of integrity on commitment. Integrity is developed when Trustors, in this case suppliers, develop a perception of the other actor's integrity. This perception of integrity is further influenced by third-party opinions or previous experience. When the buyer maintains integrity, adhering to principles the supplier values, the buyer is able to influence the supplier's perception of its integrity and thus gain trust and commitment[98]. Based on that it can be argued that commitment of the buyer can also influence the supplier's

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[96] See Nollet et al., 2012, p. 1190
[97] See Krause, Handfield, & Tyler, 2007, p. 538
[98] See Hald et al., 2009, p. 965

perception of the relationship and therefore be an explanation for differences in buyer and supplier perceptions of the preferred customer status.

1.4.1 Trust as one relational factor influencing Preferred Customer Status and the buyer and supplier's perceptions thereof

According to Liu Luo and Liu (2009) relational mechanisms are somewhat more likely to increase relationship performance than transactional mechanisms are[99]. Trust, as one of these relational mechanisms is argued to enhance the relationship between buyer and supplier and establish an environment promoting economical exchange[100]. Trust was defined as the "willingness to be vulnerable to the actions of another party […]"[101]. Actors in relationships accept this vulnerability, because they have positive expectations about the other actor's behaviour[102].

Trust develops through repeated positive interactions between two actors in a relationships[103]. Doney and Cannon (1997) further argued that trust develops through the formation of one actors (the trustor) expectation about motives and behaviours of the other actor (the trustee)[104]. They found five trust-building processes[105]. The first is the *calculative process* where the trustor calculates cost and rewards of the trustee's behaviours. Second, there is the *prediction process* where trust is based on the confidence that the trustee's behaviours are easy to predict. The third trust-building process is the *capability process*. Here, the trustor assesses the trustee's abilities to behave in the promised manner. Second to last, there is the *intentionality process,* where the trustee's motivations are evaluated. Finally, there is the *transference process*. This process draws on "proof sources" from which trust can be transferred. "Proof sources" are closely

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[99] See Liu, Luo, & Liu, 2009, p. 305
[100] See Liu et al., 2009, p. 296
[101] Mayer, Davis, & Schoorman, 1995, p. 712
[102] See Rousseau, Sitkin, Burt, & Camerer, 1998, p. 395
[103] See Doney & Cannon, 1997, p. 37; Weber, Malhotra, & Murnighan, 2004, p. 76
[104] See Doney & Cannon, 1997, p. 37
[105] See Doney & Cannon, 1997, p. 38

associated with the trustee and therefore trust, or antitrust, can be transferred from them[106]. Trust has an influence on the expected value in dyadic business relationships such as between suppliers and preferred customers. In these relationships integrity and benevolence are key concepts[107]. Consequently, if a buyer's shows commitment to the supplier and the supplier is trusting the buyer a preferred customer status is more likely to be achieved.

1.4.2 Dependence as another relational influence on Preferred Customer Status that eventually could lead to differing perceptions

Similar to trust, dependence might also have an influence on the perceptions of a company's preferred customer status. "[M]utual dependence with the customer virtually precludes other customer's to provide similar benefits"[108]. When buyer and supplier are mutually dependent from each other they can both benefit from the relationship and also hamper competitors from engaging in more profitable relationships with the other. However, attention has to be paid to some issues. So is it essential for the purchaser to pay attention to not facilitate opportunistic behaviour of the supplier when investing first in the relationship[109]. Suppliers often have difficulties transferring investments made in a relationship to another relationship which is likely to create a dependence on the buyer and can be a reason for staying in that relationship[110]. Such a situation in turn would be beneficial for the buyer when trying to achieve a preferred customer status. Hald et al. (2009) argue that perceived dependence in a business relationship can strengthen effects of perceived expected value and the actors' perception of each other's attractiveness[111]. Subsequently, it can be argued that a certain mutual dependence can be beneficial for becoming a preferred customer. Nevertheless, differences in perceived dependence may result in different perceptions of value and trust and therefore to differing levels of perceived preferred customership.

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[106] See Doney & Cannon, 1997, p. 38
[107] See Hald et al., 2009, p. 964
[108] Nollet et al., 2012, p. 1190
[109] See Nollet et al., 2012, p. 1190
[110] See Nollet et al., 2012, p. 1190
[111] See Hald et al., 2009, p. 967

1.5 Market uncertainty and market concentration as environmental factors with an influence on the buyer's Preferred Customer Status

1.5.1 Market uncertainty and unforeseeable changes in the environment that can influence a company's preferred customer status

Much of the current literature uses several terms for market uncertainty. Mostly these studies encompass similar elements in their definition of market uncertainty. One term that for instance is often used describing factors of market uncertainty is environmental uncertainty. A full consensus in previous literature on a clear and unique definition of uncertainty in a market or environmental context still has not been reached. A general definition of uncertainty in a business environmental context comes from Pfeffer and Salancik (1978) who state that "[u]ncertainty refers to the degree to which future states of the world cannot be anticipated and accurately predicted"[112]. In line with that, Noordewier, John & Nevin (1990) define environmental uncertainty as "unanticipated changes in circumstances surrounding an exchange"[113] referring to market instabilities, with price and volume uncertainties being a key aspect[114]. Poppo & Zenger (2002) also add uncertainty in terms of unforeseeable change regarding rapidly changing technology[115]. In the context of this study market uncertainty will therefore be defined as unanticipated, or hard to predict changes and fluctuations in the market environment of buyer and supplier, related to price, volume, resource or technological aspects. Uncertainty itself is not problematic, however, it can become a problem for companies when it involves interaction with other entities in the organisational environment such as for example a company's suppliers[116]. Results of the study by Poppo and Zenger (2002) showed that greater uncertainty is likely to lead to increasing levels of relational governance in exchanges between

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[112] Pfeffer & Salancik, 1978, p. 68
[113] Noordewier, John, & Nevin, 1990, p. 82
[114] See Noordewier et al., 1990, p. 86
[115] See Poppo & Zenger, 2002, p. 709
[116] See Pfeffer & Salancik, 1978, p. 68

buyer and supplier[117]. Relational governance encompasses social processes, which next to contracts, can be put in place in order to cope with arising difficulties in a buyer supplier relationship[118]. By forming close exchange relationships, buyer and supplier both invest more in that relationship. Accordingly, increasing levels of relational governance might help to cope with market uncertainties. It is likely, that a preferred customer, next to his contractual agreement, has some kinds of relational governance mechanisms in place and thus can better cope with market uncertainty.

1.5.2 Market concentration can influence the way buyer-supplier relationships develop in the first place

Market concentration can be defined as the "[t]he extent to which output market resources are perceived as controlled by, or concentrated in, a few or many organizations"[119]. Pfeffer and Salancik associate concentration with companies' abilities to achieve desired outcomes in their specific environment since concentration influences the number of entities that are in that particular system that have to be coordinated[120]. The market's concentration therefore, is concerned with the number of firms in the market and its complexity. In contrast to that, the previously mentioned concept of market uncertainty is mostly concerned with the firm's product environment and whether there is volatility in the market or products are hard to acquire. Achrol and Stern (1988) argue that industries with a high concentration are likely to have lower uncertainty since competitive behaviours can act as stabilizers in these industries[121]. This finding is in line with Pfeffer and Salancik's (1978) arguments that environments characterised by high concentration are easier to coordinate, since the amount of separate entities in that environment is reduced[122]. Connected to the previously named results of studies about market uncertainty, it can be argued that in industries characterised by low concentration a PCS is rather unlikely. In

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[117] See Poppo & Zenger, 2002, p. 719
[118] See Poppo & Zenger, 2002, p. 710
[119] Achrol & Stern, 1988, p. 37
[120] See Pfeffer & Salancik, 1978, p. 67
[121] See Achrol & Stern, 1988, p. 45
[122] See Pfeffer & Salancik, 1978, p. 66

such industries, a buyer has the choice among many suppliers and therefore might switch suppliers faster instead of building deeper relationships.

Fink, Edelman, Hatten and James (2006) found that in an environment characterised by many suppliers i.e. a low market concentration seen from the buyer side, in combination with a low supplier uncertainty, buying companies are more likely to form closer buyer-supplier relationships[123]. By forming a close relationship with key suppliers, companies might be able to achieve a preferred customer status at that supplier.

2. Bounded rationality as explanation for different perceptions of Preferred Customer Status by actors in the buyer-supplier relationship

A stream of literature that proves to be useful when arguing for different perceptions of preferred customer status by buyer and supplier stems from the theory of bounded rationality. The theory of bounded rationality argues that rational choices are bound on "the cognitive limitations of the decision maker – limitations of both knowledge and computational capacity"[124]. One general assumption of bounded rationality is that actors have only incomplete information about the alternatives to their decisions[125]. A buyer with a different amount of information about the relationship with the supplier and the involved decisions, therefore, might perceive his preferred customer status in a different way than the supplier actually awards it. Rational choice involves the actor guessing about future consequences of current actions and thus imagining what happens in the future if a certain action is performed now. By doing so, the reactions of the other actor on that behaviour are tried to be predicted[126]. Rationality can be expressed as *limited rationality* or *contextual rationality*. Limited rationality occurs when actors simplify their decisions as it is difficult for them to anticipate and consider all alternatives and information in

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[123] See Fink, Edelman, Hatten, & James, 2006, p. 519
[124] See Simon, 1990, p. 15
[125] See Simon, 1972, p. 163
[126] See March, 1978, p. 589

the decision making process[127]. Contextual rationality is more focused on the context of the choice and argues that behaviour is influenced by the opportunity cost that emerge from the situation[128]. Subsequently, if a buyer and its supplier have evaluated the amount of information and the context of their upcoming decisions, it is likely that they both have different perceptions thereof which could result in a difference of preferred customer status. Accordingly, it can be argued that differences concerning the focus of buyer and supplier when exchanging information can result in different perceptions of the relationship and eventually of preferred customer status.

Additionally, as Kahnemann (2003) pointed out the buyer and supplier's perceptions are "reference dependent"[129], i.e. they are reflected in connection to the context of previous and simultaneous perceptions. An illustration of reference dependence can be found in figure 2.

The figure shows two large grey squares of differing shades of colour. Within these squares are two smaller squares that are also grey, but seem to differ in their shade. However, the inner squares in reality are the same colour. This visual effect occurs, since the human brain puts the inner squares' colour into reference toward the outer squares which actually in colour tones. As a result of that, the inner squares also seemingly differ in colour.

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[127] See March, 1978, p. 591
[128] See March, 1978, p. 592
[129] See Kahneman, 2003, p. 703
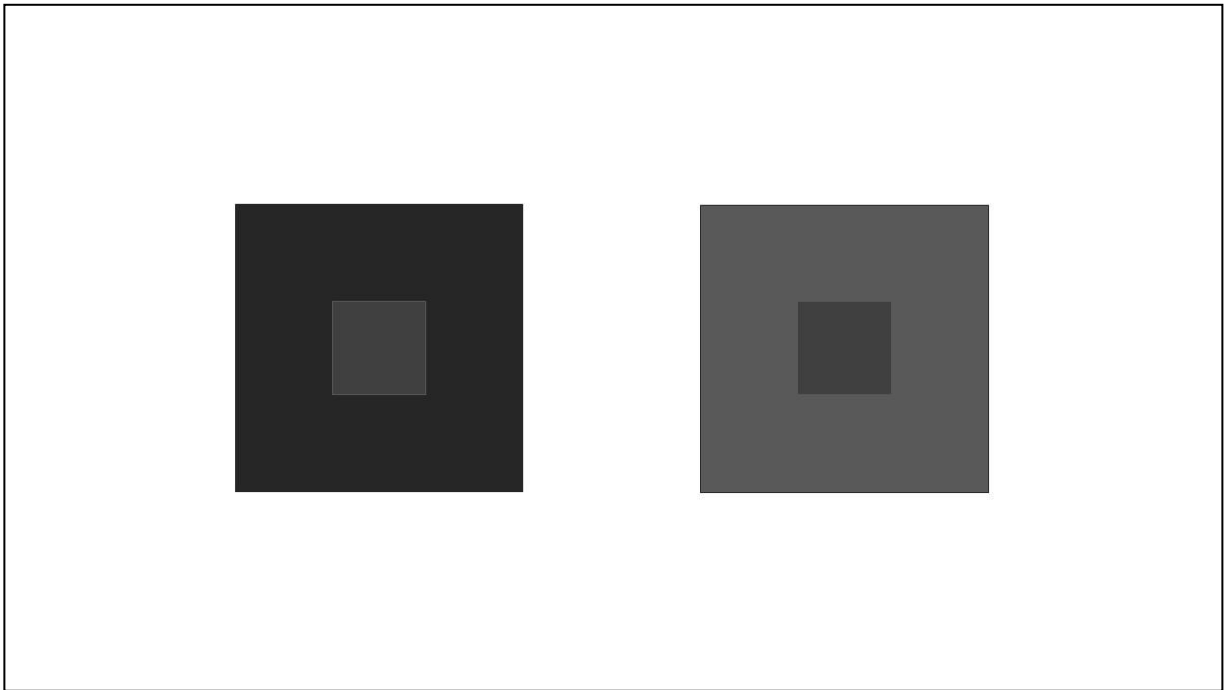
Figure 2 - Illustration of Reference Dependence[130]

Kahnemann used this figure to illustrate the phenomenon of reference dependence. Although this illustration refers to visual perception, the underlying assumption also holds true for perception in general. Actors form their perceptions in reference to other experiences. The point of reference usually is the status quo, from which for example gains and losses are evaluated. These gains and losses are evaluated as advantages and disadvantages. Disadvantages however seem to have a stronger effect[131]. Accordingly, buyer and supplier form perceptions about their relationship in reference to their current status quo in the relationship. From this point, they evaluate positive and negative influences referring to previous and current perceptions of factors involved. These influence then serve as benchmark to make judgements about present and future developments.

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[130] Adapted from: Kahneman, 2003, p. 704
[131] See Kahneman, 2003, p. 705

Kahnemann and Tversky (1979) state that perception could "be treated as a function in two arguments[132]". The authors name the first of the arguments the asset position which is the reference point and the second the magnitude of change from that point[133]. Perception therefore, is always influenced by previous experiences, hence, buyer and supplier might perceive the preferred customer status in different ways because they relate differing previous experiences toward the current situation. Since buyer and supplier are likely to evaluate their relationship differently it can be argued that differences in interpretation of the relationship in turn could influence the difference of perceived preferred customer status. The following section uses the theory discussed early to determine what factors might influence preferred customer status in order to determine what effects lead to a difference in the buyer-perceived preferred customer status from that the supplier actually awards the buyer.

3. Hypotheses and research model: Relational and environmental influences that are hypothesised to have an effect on the perceived differences in Preferred Customer Status

3.1 Trust and dependence as relational influences on perceived Preferred Customer Status and the buyer's overestimation

Trust could have an influence on the difference of the level the buyer perceives the preferred customer status of certain suppliers as it is argued to influence the perceptions of actor's expected values in a buyer-supplier relationship[134].

Furthermore, as posited in the definition by Rousseau, Sitkin, Burt and Camera (1998) trust can also make companies more vulnerable towards opportunism of their partners[135]. In line with that, Villena, Revilla and Choi (2011) propose a "dark side" of buyer supplier relationships and

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[132] Kahneman & Tversky, 1979, p. 277
[133] See Kahneman & Tversky, 1979, p. 277
[134] See Hald et al., 2009, p. 964
[135] See Rousseau et al., 1998, p. 395

argue that "too much" trust could have negative consequences for the partners. Parties in the relationship might lose their objectivity when too much relational value is involved[136]. Accordingly, a high level of trust in the relationship can lead the buyer to overestimate the focal company's preferred customer status, due to this lack of objectivity. Following this reasoning buyers that trust their suppliers more than their suppliers trust them might risk that their trust is not reciprocated and rely on false expectations of the relationship. Accordingly, over-trusting buyers might have too many subjective perceptions resulting from their trust and not from the supplier's behaviour. This in turn could lead them to overestimate their customer status with the supplier.

On the other hand however, when the buyer trusts his suppliers less than vice versa he will put more focus on perceptions of supplier behaviour for assessing the relationship. Resulting from that, it can be expected that when the buyer underestimates his supplier's trust, he might estimate his customer status more precisely. Consequently, it is hypothesised that:

H1: Mutual Trust has a positive influence on the buyer's overestimation of PCS

H1a: The degree to which a buyer over-trusts a supplier has a positive influence on the overestimation of the preferred customer status.

H1b: The degree to which a buyer under-trusts a supplier has a negative influence on the overestimation of the preferred customer status.

When buyer and Supplier are mutually dependent on each other, it is likely that the supplier awards the buyer a better customer status than other companies. Since both companies are bound in the relationship, it is hypothesised that differences in the perceived customer status are likely to be influenced by perceived dependence. Perceived dependence is argued to have an effect on perceived attractiveness of the actors towards each other[137]. For that reason, it can be stated that

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[136] See Villena, Revilla, & Choi, 2011, p. 571
[137] See Hald et al., 2009, p. 967

due to high perceived dependence, the buyer might overestimate his relationship with the supplier and perceives a better customer status than there actually receives. Recent literature further argued that a higher mutual dependence prevents other companies from entering similar relationships with the other actor[138]. However, overreliance on the supply chain partner can influence the level to which companies overestimate the benefits they receive from the relationship. Consequently, mutual dependence could have effects similar to trust. The buyer, when perceiving a high mutual dependence, might think that other companies are excluded from benefiting from the relationship with its supplier and thus, overestimates his preferred customer status.

Differences in the way individuals can exert control over their environment, influence how individuals behave depending on their power[139]. Research showed that being powerful, (i.e. someone is dependent on another) induces a simplified processing orientation and leads to stereotyping[140]. Powerful actors tend to perceive things in a more global and universalistic way. These actors also put emphasis on single sources of information which are easy to retrieve and process when making judgements[141]. On top of that, powerful individuals are often more self-anchoring and tend to focus on themselves rather than focusing on others[142]. Powerful individuals often feel a sense of entitlement, which might lead them to have an exaggerated perception of the benefits derived from a relationship[143]. Hence, it can be expected that a buyer that dominates the relationship with a dependent supplier might be prone to overestimate his preferred customer status with that supplier.

In contrast to that, the powerless is considered to be behavioural inhibited and perceive threats stronger than powerful individuals[144]. Since powerless actors tend to have low influence on their

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[138] See Nollet et al., 2012, p. 1190
[139] See Weick, Guinote, & Wilkinson, 2011, p. 209
[140] See Fiske, 1993, p. 624; Fiske & Dépret, 1996, p. 35; Weick & Guinote, 2008, p. 957
[141] See Weick & Guinote, 2008, p. 957; Lammers & Stapel, 2009, p. 287
[142] See Weick & Guinote, 2008, p. 967; Overbeck & Droutman, 2013, p. 1472; Sturm & Antonakis, 2015, p. 146
[143] See Kipnis, 2006, p. 184f
[144] See Willis & Rodríguez-Bailón, 2010, p. 779

outcomes[145], anxiety is an often associated state. Resulting from that, research argues that powerless actors tend to be more motivated to search for more information about the powerholder, to eventually gain control of the situation[146]. Thus, the greater the dependence asymmetry between the actors, the more will the powerless actor be aware of the situation. He tends to process more information from several sources. For that reason, buyers who tend to be dependent, i.e. the supplier is dominant, might be better aware of the relational benefits they receive from their counterpart. We can expect that in this case they have a more precise estimation of their customer status. Consequently, it is assumed that:

H2: Mutual Dependence has a positive effect on overestimation (negative effect on underestimation) of PCS

H2a: Buyer dominance has positive influence on overestimating (negative effect on underestimation) the preferred customer status.

H2b: Supplier Dominance has a negative influence on overestimating the perceived preferred customer status.

3.2 Market uncertainty and market concentration as environmental influences on perceived Preferred Customer Status

Market uncertainty measures fluctuations and tensions of the market the companies sell or buy in. Higher market uncertainty is a sign of a volatile market where it might be difficult to acquire new suppliers and companies are less likely to frequently change suppliers. As Noordewier, John and Nevin (1990) stated that buyer performance could be increased in environments with high levels of uncertainty when "relational governance" is increased, i.e. buyer and supplier invest more in their relationship in terms of for example information sharing[147]. This finding was also confirmed by Poppo and Zenger (2002) who found that uncertainty leads to increases in relational governance[148]. This increasing reliance on relational governance and less formal

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[145] See Stevens & Fiske, 2000, p. 907
[146] See Fiske, 1993, p. 624; Fiske & Dépret, 1996, p. 34; See Stevens & Fiske, 2000, p. 908
[147] See Noordewier et al., 1990, p. 91
[148] See Poppo & Zenger, 2002, p. 719

agreements can lead to a greater risk of misperceptions and thus relying too much on social capital as a signal of relational benefits. Subsequently, a higher market uncertainty leads to a more unpredictable environment which is less easy to interpret. Accordingly, it is assumed that:

H4: Market uncertainty has a positive effect on overestimation of the perceived preferred customer status.

Pfeffer and Salancik (1978) argue for an easier coordination of highly concentrated industries[149]. In line with that, Achrol and Stern (1988) found out, market concentration seems to reduce decision uncertainty since it is a mediating factor on competitive behaviours[150]. As concentrated industries have been characterised to have a rather low decision ambiguity[151], investing in solid relationships might not be that necessary for buyers and suppliers. These rather contrasting results might help to argue for differing perceptions of PCS by buyer and supplier. If the market the buying company procures its inputs is characterised by a high concentration (high buyer market concentration) whereas the market the supplier sells in is characterised by a low concentration (low supplier market concentration), relational strategies of the two companies might differ which in turn can lead to different perceptions of the buyer's customer status. The authors explained this result by arguing that in a highly concentrated environment, competitive acts can be stabilizers and become conjectural variations. In an environment that is characterised by a high concentration on the supply side, i.e. there are only few suppliers, the supplier's competitive acts are often followed by a phase with a quite predictable pattern of competitive behaviour in that industry[152]. It can be expected that the more complex the buyer's environment is, the easier it becomes for him to oversee his competitors. Hence, the buyer should be better able to estimate whether he is a preferred customer in comparison to his competitors. Therefore, it is hypothesised that:

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[149] See Pfeffer & Salancik, 1978, p. 66
[150] See Achrol & Stern, 1988, p. 45
[151] See Achrol & Stern, 1988, p. 45
[152] See Achrol & Stern, 1988, p. 46

H5: Market concentration has a negative effect on the overestimation of perceived preferred customer status.

Based on the previously established hypotheses, the following research model was derived. The buyer's knowledge about the supplier, as well as the length of the relationship between buyer and supplier were included as control variables. The buyer's knowledge was included, since it is assumed that the better the buyer knows the supplier, the less likely is he to overestimate an eventual preferred customer status. The length of the firm's collaboration is included since it can be argued that the longer the supply chain partners know each other the better are they able to predict the other's behaviour. Additionally, the length of the relationship previously was found to have significant effects on performance of that relationship[153].
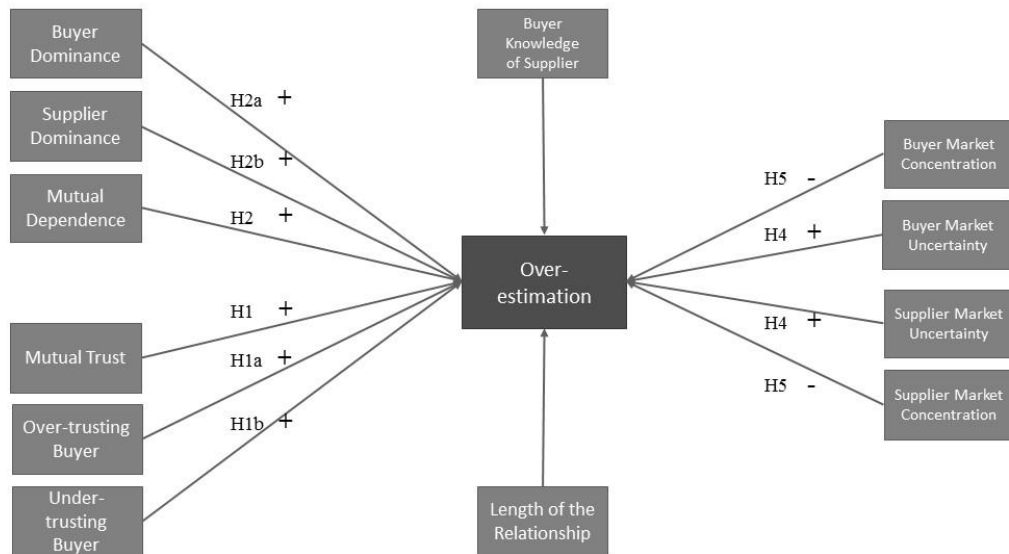
Figure 3 - Research Model

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[153] See Nagati & Rebolledo, 2013, p. 185

The section that follows will present the methods to be used to find support for the previously derived hypotheses. It will also present two additional models that were derived from the data to gain further insights into the influences on perception differences of preferred customer status.

4. Methods: PLS path modelling using SmartPLS3 to determine variables that influence differences in PCS

4.1 Data collected from a German chemical company was analysed using SmartPLS 3 to determine the influences on the buyer's overestimation of perceived PCS

This study uses data collected in a study conducted at a German chemical company and its suppliers of indirect material that was also used in research conducted by Vos, Schiele and Hüttinger (2106). It was assumed that when the suppliers have a certain level of knowledge about the buyer they better and more thoroughly answer questions about the buyer supplier relationship. The answers of suppliers with insufficient knowledge of the buyer are could deviate to much from the actual situation. Therefore, responses were omitted if the respondent answered in the lower half of the scale (below a value of 4) when asked whether he knew the buyer sufficiently to answer the questionnaire properly. After this, a sample of 125 usable questionnaires remained, corresponding to a response rate of about 45%. In this sample, all suppliers knew the buying company sufficiently and their questionnaires could also be matched to the buyers' questionnaires.

Characteristics of the dyads		Characteristics of respondents		
			Supplier	Buyer
1. Length of firm relationship		1. Tenure of respondent in company		
<1 years	1%	<1 years	0%	0%
1-5 years	12%	1-5 years	10%	34%
5-10 years	15%	5-10 years	20%	14%
10-20 years	28%	10-20 years	37%	15%
>20 years	44%	>20 years	33%	38%
2. Annual turnover of suppliers (in €)		2. Tenure of respondent as sales/purchase representative		

<10 m €	30%	<1 years	1%	0%
10 m - 100 m €	33%	1-5 years	18%	40%
100 m - 1 bn €	19%	5-10 years	26%	24%
>1 bn	12%	10-20 years	36%	29%
		>20 years	20%	7%
3. Number of employees of suppliers		3. Length of involvement in buyer–supplier relationship		
<100	39%	<1 years	1%	14%
100 - 1,000	38%	1-5 years	11%	48%
1,000 - 10,000	17%	5-10 years	16%	24%
10,000 - 50,000	3%	10-20 years	26%	14%
>50000	3%	>20 years	46%	0%

Table 1 - Characteristics of the Dyads and Respondents

Multi-item scales were used to measure the independent and dependent latent factors, using Likert scales from 1-6. The questionnaire included four questions about trust for each the buyer and the supplier. To calculate the construct mutual trust, the answers of the buyer were added to the answers of the supplier to the respective questions. In the end an average of this was calculated which then was used as latent variable for the mutual trust. These calculations were conducted similarly for the questions about dependence, leading to the variable for mutual dependence.

To calculate the buyer's overestimation and include dependence asymmetry (i.e. buyer and supplier dominance) and trust asymmetry, similar calculations to those of Kaiser, Widjaja and Buxmann (2013) in their paper on relative and joint dependence in outsourcing relationships were used[154]. To calculate the buyer's overestimation of PCS, first the items asking the buyer about his preferred customer status were added and then averaged. The same was then done for the items asking the supplier about the customer status awarded to the buyer. The averaged variable for the supplier were then subtracted from that of the buyer, resulting in an average deviation of the perceptions of the buyer of preferred customer status from the answers of the

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[154] See Kaiser, Widjaja, & Buxmann, 2013, p. 28

buyer. This deviation could either be positive, i.e. the buyer answered higher than the supplier, or negative where the supplier answered higher than the buyer. Following this step, a new variable was created, in which all negative values were set to zero, only including the buyer's overestimation. In the new variable 56 entries were set to zero resulting in 69 out of 125 cases were the buyer answered a higher value for PCS than the supplier. This variable was then used as construct for the dependent variable.

The same calculations were conducted for the constructs buyer and supplier dominance as well as over- and under-trusting buyer. Here the items measuring the supplier's (buyer's) dependence or trust respectively were added and averaged, then the supplier's average was subtracted from that of the buyer. Afterwards two new variables were created, where either the negative values (resulting in the constructs supplier dominance and over-trusting buyer) or the positive values were set to zero (resulting in the constructs buyer dominance / under-trusting buyer respectively).

The construct buyer market concentration were measured by two items that asked the buyer about the market the respective supplier is in and its concentration as well as number of competitors. Similarly, the construct supplier market concentration was measured asking two corresponding questions about the market the buying company is in and its concentration and number of further buyers. The market uncertainty constructs were each measured by three corresponding items concerned with the volatility of the market as well as the resources' uncertainty.

Furthermore, the construct buyer knowledge about supplier, was measured by one question that asked the buyer whether he thinks he knows the supplier at least well enough to answer this questionnaire. The variable length of relationship was measured by a question asking the supplier about the time his company already is engaged in a collaborative business relationship with the buying company. Length of the relationship as well as the purchaser's knowledge about the supplier were included in the model as control variables. It is assumed that a longer relationship results in smaller deviations of perceived PCS, because relational social capital,

such as trust for instance is argued to develop over time[155]. The longer supply chain partners know each other, the more it can be expected that they know how the other behaves. Furthermore, in previous studies there often has been a significant influence of the length of the relationship on performance in the buyer-supplier relationship[156].

The variable measuring the buyer's knowledge about the supplier was incorporated, since it can be assumed that if the purchaser has more knowledge about the supplier he can estimate his customer status with that supplier more accurate.

	1	2	3	4	5	6	7	8	9	10	11	12
1 B Dominance	1											
2 B Market Concentration	-.01	1										
3 B Market Uncertainty	-.19	.22	1									
4 Length Relationship	.08	.12	-.03	1								
5 Mutual Dependence	.22	.11	.14	.26	1							
6 Mutual Trust	.23	-.18	-.12	.17	.24	1						
7 Over-trusting Buyer	-.05	.04	-.19	.07	-.03	-.18	1					
8 S Dominance	-.47	-.04	.14	.15	-.12	.03	-.11	1				
9 S Market Uncertainty	.28	.11	-.06	-.21	.25	.09	-.06	-.38	1			
10 S Market Concentration	.16	.26	.19	-.03	.24	.05	-.01	-.17	.26	1		
11 Under-trusting Buyer	-.09	-.11	.11	-.17	-.03	-.27	-.42	.09	.01	-.09	1	
12 B Knowledge about S	-.03	.13	.25	-.01	.07	.13	.12	.03	-.01	.04	-.25	1

Table 2 – Cross-Correlations of Constructs

Partial least squares (PLS) and PLS path modelling (PLS-PM) methods employing the software SmartPLS 3[157] where used to determine what variables have an influence on the difference of preferred customer status.

Considering the quality criteria of the latent factors, convergence reliability tests reveal that Cronbach's alpha scores are all above the threshold of 0.7 except for the item supplier market uncertainty, which is slightly below with a value of 0.64. Composite Reliability (CR) scores however, are all above 0.7, also for supplier market uncertainty. On top of that Average Variance

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[155] See Doney & Cannon, 1997, p. 37; Weber et al., 2004, p. 76; Villena et al., 2011, p. 563
[156] See Nagati & Rebolledo, 2013, p. 185
[157] SmartPLS 3: Ringle, Wende, & Becker, 2015

Extracted (AVE) values are all above 0.5. Discriminant Validity is also supported, through at first Variance Inflation Factors (VIF) below 4[158] and second all values for the heterotrait-monotrait ratio (HTMT) below .85[159].

	Cronbach's α	CR	AVE	VIF
1 Buyer Dominance	1	1	1	1,48
2 Buyer Market Concentration	.92	.82	.71	1,25
3 Buyer Market Uncertainty	.80	.88	.70	1,35
4 Length of Relationship	1	1	1	1,31
5 Mutual Dependence	.90	.92	.69	1,35
6 Mutual Trust	.86	.90	.69	1,52
7 Over-trusting buyer	1	1	1	1,48
8 Supplier Dominance	1	1	1	1,52
9 Supplier Market Uncertainty	.64	.80	.58	1,40
10 Supplier Market Concentration	.75	.87	.77	1,23
11 Under-trusting buyer	1	1	1	1,57
12 Knowledge about Supplier	1	1	1	1,20

Table 3 - Quality Criteria

	1	2	3	4	5	6	7	8	9	10	11	12
1 B Dominance												
2 B Market Concentration	.06											
3 B Market Uncertainty	.22	.33										
4 Length of Relationship	.08	.15	.06									
5 Mutual Dependence	.23	.12	.17	.27								
6 Mutual Trust	.25	.18	.17	.18	.32							
7 Over-trusting B	.05	.05	.19	.07	.04	.24						
8 S Dominance	.47	.05	.16	.15	.13	.04	.11					
9 S Market Uncertainty	.35	.15	.15	.26	.32	.16	.09	.47				
10 S Market Concentration	.21	.20	.21	.05	.32	.10	.05	.22	.36			
11 Under-trusting B	.09	.06	.11	.17	.08	.26	.42	.09	.04	.10		
12 Knowledge about S	.03	.20	.31	.01	.07	.13	.12	.03	.14	.07	.25	

Table 4 - HTMT Ratios of the Latent Constructs

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[158] See Pan & Jackson, 2008, p. 423
[159] See Henseler, Ringle, & Sarstedt, 2015, p. 123

A principal component analysis (PCA) was conducted to assess the unique variance of items on their hypothesized components[160]. Varimax and Oblique rotations with their default options with cut-off loadings of above .5 as recommended by Hair, Black, Babin and Anderson (2014) in order to achieve statistical significance with sample sizes above 100[161] were used. Final results retained 6 components based on an Eigenvalue above 1 with cut-off loadings above .5 for all but one item of the Varimax and the Oblique rotations. These results are presented in tables 1 and 2 and show that the items indeed measure what they intent to measure and therefor the constructs are useful for further analyses.

Component	1	2	3	4	5	6
Mutual_Dependence_4	0.836	0.070	-0.090	0.239	-0.042	0.137
Mutual_Dependence_5	0.814	0.205	0.055	-0.093	-0.007	0.065
Mutual_Dependence_7	0.859	0.148	-0.005	-0.102	0.039	0.098
Mutual_Dependence_8	0.845	0.090	0.092	0.063	0.177	0.131
Mutual_Dependence_9	0.738	0.008	0.171	0.017	0.243	-0.022
Mutual_Trust_1	0.031	0.786	-0.214	0.178	0.041	-0.085
Mutual_Trust_2	0.297	0.807	0.013	-0.007	0.076	0.014
Mutual_Trust_3	0.143	0.855	0.088	-0.170	0.090	0.057
Mutual_Trust_4	0.035	0.849	-0.052	-0.154	-0.093	0.073
Supplier_UncertainMarket_220_1	0.189	0.089	0.035	0.153	0.705	0.324
Supplier_UncertainMarket_220_4	0.066	-0.013	-0.015	-0.183	0.685	0.166
Supplier_UncertainMarket_220_5	0.067	0.031	-0.100	0.077	0.799	-0.155
Supplier_MarketConcentr_180_2	0.104	0.038	0.180	0.163	0.073	0.837
Supplier_MarketConcentr_180_3	0.171	0.006	-0.028	-0.031	0.125	0.871
Buyer_MarketConcentr_150_2	0.019	-0.098	0.144	0.915	0.046	0.120
Buyer_MarketConcentr_150_3	0.040	-0.038	0.115	0.927	-0.037	0.018
Buyer_UncertainMarket_161_1	0.208	-0.059	0.840	0.188	0.011	0.099
Buyer_UncertainMarket_161_4	-0.030	-0.096	0.815	0.314	-0.004	0.010
Buyer_UncertainMarket_161_5	0.015	0.004	0.825	-0.127	-0.090	0.051

Table 5- Results of PCA with Varimax Rotation

[160] See Petter, Straub, & Rai, 2007, p. 641
[161] See Hair, Black, Babin, & Anderson, 2014, p. 115

Component	1	2	3	4	5	6
Mutual_Dependence_4	0.841	-0.018	0.164	0.061	-0.254	-0.243
Mutual_Dependence_5	0.829	0.093	0.302	0.084	0.077	-0.175
Mutual_Dependence_7	0.871	0.039	0.255	0.136	0.084	-0.211
Mutual_Dependence_8	0.874	0.148	0.187	0.273	-0.090	-0.264
Mutual_Dependence_9	0.755	0.211	0.090	0.315	-0.046	-0.109
Mutual_Trust_1	0.105	-0.242	0.785	0.056	-0.128	0.070
Mutual_Trust_2	0.387	-0.009	0.835	0.119	0.034	-0.076
Mutual_Trust_3	0.244	0.046	0.868	0.117	0.198	-0.101
Mutual_Trust_4	0.117	-0.094	0.854	-0.073	0.194	-0.078
Supplier_UncertainMarket_220_1	0.287	0.060	0.119	0.741	-0.168	-0.412
Supplier_UncertainMarket_220_4	0.128	-0.021	0.017	0.695	0.172	-0.222
Supplier_UncertainMarket_220_5	0.120	-0.111	0.053	0.794	-0.075	0.082
Supplier_MarketConcentr_180_2	0.193	0.239	0.046	0.134	-0.192	-0.863
Supplier_MarketConcentr_180_3	0.248	0.027	0.043	0.196	0.009	-0.887
Buyer_MarketConcentr_150_2	0.051	0.212	-0.139	0.062	-0.928	-0.162
Buyer_MarketConcentr_150_3	0.062	0.178	-0.079	-0.023	-0.934	-0.056
Buyer_UncertainMarket_161_1	0.252	0.867	-0.083	0.026	-0.246	-0.193
Buyer_UncertainMarket_161_4	0.007	0.833	-0.154	-0.019	-0.364	-0.075
Buyer_UncertainMarket_161_5	0.047	0.816	-0.032	-0.101	0.078	-0.102

Table 6 - Results of PCA with Direct Oblimin Rotation

Data was then transferred to SmartPLS 3 in order to run structural equation models. The final model was one that incorporated the items: buyer and supplier commitment, supplier satisfaction, mutual dependence, mutual trust, buyer and supplier market uncertainty as well as buyer and supplier market concentration. The control variables length of the relationship and knowledge of the focal company about the supplier where included.

4.2 Two additional models were established to test influences on the buyer's underestimation as well as on average perception differences

Two further versions of the research model were set up in order to gain additional insights in the influences on perceived preferred customer status. As described earlier, the difference of the buyer's answers to the supplier's answers was calculated by subtracting the results of each supplier questionnaire item measuring PCS from the corresponding buyer questionnaire item.

After that, the results were coded into a new variable representing the average of all measures of preferred customer status.

Resulting from these calculations a first additional model was set up where, similar to the model measuring the buyer's overestimation, the buyer's underestimation of preferred customer status was measured. To measure the deviations in separate, the same calculations as for the calculation of asymmetries were used. The average difference in preferred customer status was recoded into a new variable which included only the values were the supplier deviated and all other values were replaced with zero. The same was done with the deviations of the buyer were all supplier values were replaced with zero. These new variables were then called underestimation and overestimation of the buyer. A second additional model included the average difference in preferred customer status including deviations in both directions. These two models were set up to see whether the factors that are proposed to have an influence on the buyer's overestimation of PCS also have an effect on underestimation of that status as well as differences in perceptions between buyer and supplier in general. The following section will present the results from the analyses conducted with the data.

5. Results: Variables of trust as major influences on the buyer's overestimation of the Perceived Preferred Customer Status

5.1 Influences on the buyer's overestimation of his Preferred Customer Status

Results of the first model, which measured perception in terms of the buyer's overestimation of preferred customer status showed significant influences of trust variables as well as one control variable. Supplier dominance, buyer dominance, mutual dependence as well as market uncertainty (from both the buyer and supplier's perspectives) showed no significant influence on the dependent variable. On top of that, the control variable buyer knowledge about the supplier also lead to no significant effects on the buyer's overestimation of his customer status. The buyer's overestimation of preferred customer status was significantly influenced by mutual trust ($\beta = 0.237$; $\alpha < 0.1$), over-trusting buyer ($\beta = 0.322$; $\alpha < 0.1$) and the length of the relationship ($\beta = -0.167$; $\alpha < 0.05$).

The length of the relationship had a negative significant effect on overestimation, showing an influence of one of the control variables. Hence, the longer the buyer-supplier relationship exists already, the less the tendency of the buyer to overestimate his customer status with the supplier. The variables had an explanatory power of $R^2 = 0.236$ for the buyer's overestimation of his customer status with the supplier.

The results showed no support for the hypotheses concerning the influence of mutual dependence and dependence asymmetries between buyer and supplier on the buyer's overestimation of PCS (H2, H2a and H2b). Furthermore, the hypothesis about the influence of an under-trusting buyer was also not supported (H1b). H4 and H5, the hypotheses about the influence of environmental factors on buyer overestimation of PCS also had no significant relation to overestimation. However, the hypothesised positive effect of mutual trust on overestimation (H1), as well as the positive effect of an over-trusting buyer (H1b) were supported by the results of the analyses. On top of that, the control variable length of the relationship had a negative effect on overestimation. The results are depicted in figure 4 and table 7. Additionally, the next section will present results of the two further models to provide accompanying insights into the influences on perception differences of preferred customer status.
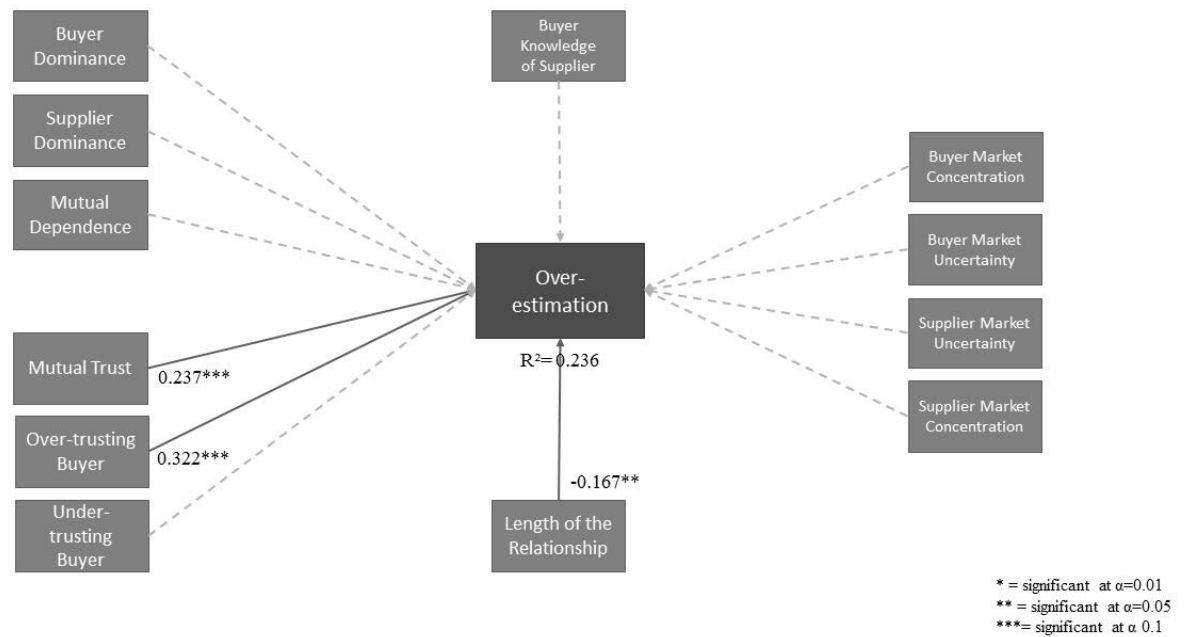
Figure 4 – Research Model with significances

Dependent Variable: Overestimation of PCS	β	T Statistic	P Values
Buyer Dominance	-0.109	1.018	0.309
Buyer Market Concentration	0.079	0.904	0.366
Buyer Market Uncertainty	-0.023	0.158	0.875
Length of Relationship	**-0.167**	**2.020**	**0.044**
Mutual Dependence	-0.032	0.274	0.784
Mutual Trust	**0.237**	**1.673**	**0.095**
Over-trusting buyer	**0.322**	**2.203**	**0.028**
Supplier Dominance	-0.048	0.497	0.619
Supplier Market Uncertainty	-0.132	0.810	0.418
Supplier Market Concentration	-0.199	1.049	0.295
Under-trusting buyer	0.050	0.613	0.540
Buyer Knowledge about Supplier	0.112	1.404	0.161

Table 7 – Results Research Model

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5.2 Results of the PLS analyses for the additional models show similar influences on the average deviation as well as the buyer's underestimation of PCS

5.2.1 Trust as a major influence on the buyer's underestimation of his Preferred Customer Status

The influences of trust as a major effect on the perceived differences of the buyer's preferred customer status are also evident in the first additional model which measured the influence of the latent constructs on the buyer's underestimation of perceived preferred customer status. In this model the constructs concerning dependence (buyer dominance, supplier dominance, mutual dependence) as well as the environmental factors (buyer market uncertainty and concentration, and supplier market uncertainty) had no significant effects. Furthermore, the control variable length of relationship had no significant effects on the dependent variable. Mutual trust ($\beta = -0.262$; $\alpha < 0.05$), an over-trusting buyer ($\beta = -0.214$; $\alpha < 0.01$), as well as an under-trusting buyer ($\beta = 0.199$; $\alpha < 0.1$) had significant influences on the buyer's underestimation of his preferred customer status. Furthermore, the buyer's knowledge about the supplier had a significant negative influence on the buyer's underestimation of perceived PCS ($\beta = -0.203$; $\alpha < 0.05$). The model overall had an explanatory power of $R^2 = 0.386$.
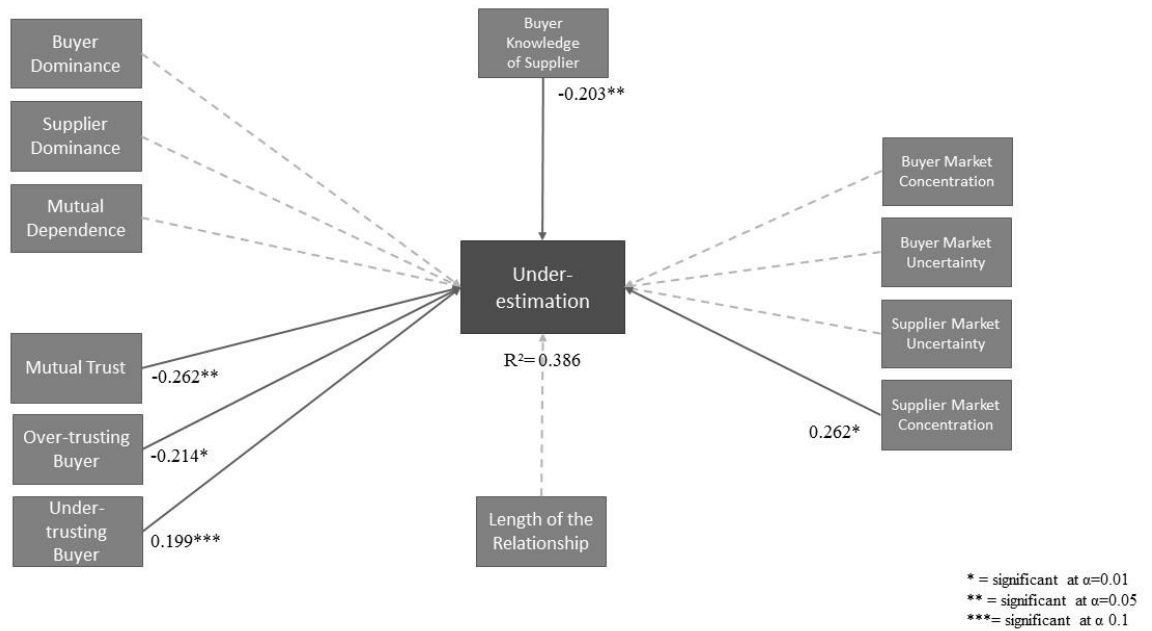
Figure 5 - Model 2 with significances

Dependent Variable: Underestimation of PCS	β	T Statistics	P Values
Buyer Dominance	0,022	0,268	0,789
Buyer Market Concentration	0,065	0,548	0,584
Buyer Market Uncertainty	0,067	0,785	0,432
Length of Relationship	-0,090	1,087	0,278
Mutual Dependence	-0,042	0,369	0,712
Mutual Trust	**-0,262**	**2,482**	**0,013**
Over-trusting buyer	**-0,214**	**2,572**	**0,010**
Supplier Dominance	0,061	0,679	0,497
Supplier Market Uncertainty	0,009	0,094	0,925
Supplier Market Concentration	**0,262**	**3,642**	**0,000**
Under-trusting buyer	**0,199**	**1,670**	**0,095**
Buyer Knowledge about Supplier	**-0,203**	**2,320**	**0,021**

Table 8 - Results Model 2

5.2.1 Trust and supplier market concentration influence average deviation of perceived Preferred Customer Status

The second additional model measured the influences of the latent factors on the average deviation of perceived preferred customer status, disregarding any direction of the deviation. Results of the PLS-PM analyses show significant influences for the items mutual trust (β = 0.299; α < .01), over-trusting buyer (β = 0.304; α < .01), and supplier market concentration (β = -0.241; α < .01). Furthermore, the buyer's knowledge of the supplier, as evaluated by himself, had a significant effect on perceived differences in PCS (β = 0.190; α < 0.05). All other construct in that model had no significant effects on the dependent variable difference of preferred customer status. The model has an overall explanatory power of an R^2 of 0.372.
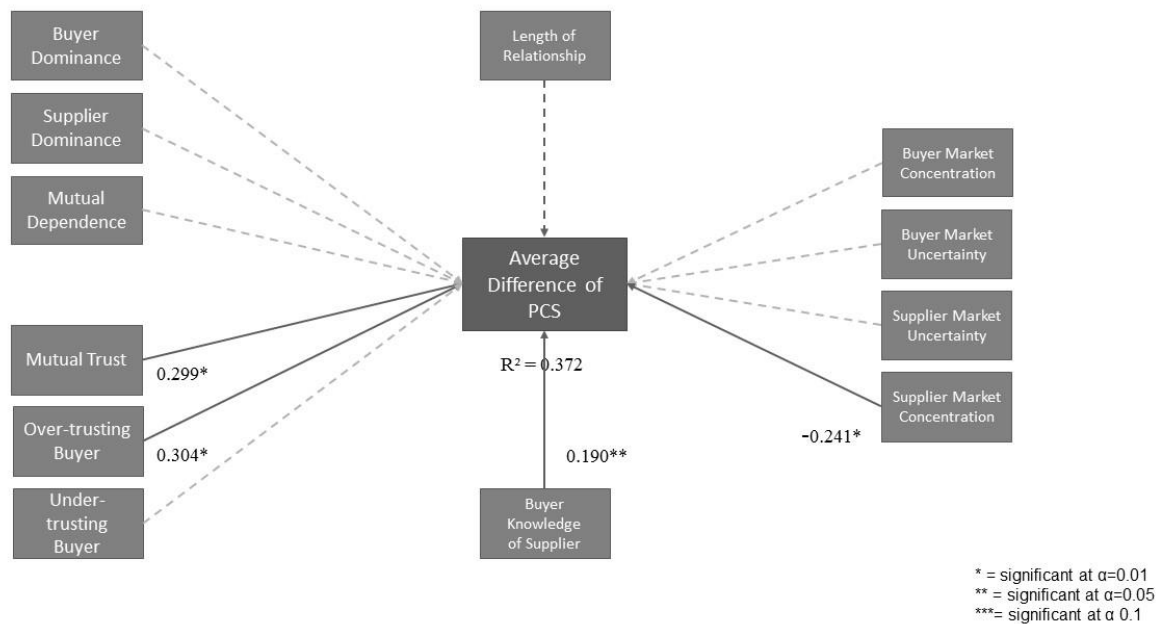

Figure 6 – Model 3 with significances

Dependent Variable: Average PCS Difference	β	T Statistics	P Values
Buyer Dominance	-0,062	0,686	0,494
Buyer Market Concentration	-0,045	0,420	0,675
Buyer Market Uncertainty	-0,038	0,483	0,630

Length of Relationship	0,032	0,394	0,694
Mutual Dependence	-0,059	0,549	0,583
Mutual Trust	**0,299**	**3,198**	**0,002**
Over-trusting buyer	**0,304**	**2,956**	**0,003**
Supplier Dominance	-0,058	0,649	0,517
Supplier Market Uncertainty	-0,007	0,067	0,946
Supplier Market Concentration	**-0,241**	**3,101**	**0,002**
Under-trusting buyer	-0,136	1,285	0,200
Buyer Knowledge about Supplier	**0,190**	**2,283**	**0,023**

Table 9 - Results Model 3

6. Discussion: Significant influences on deviations in perceived Preferred Customer Status

From the analyses conducted before, it can be concluded that the results differ somewhat depending on whether the perceived differences of PCS by buyer and supplier are measured on average without a direction, or whether they are measured in terms of the buyer's over- or underestimation of his customer status in separate.

The positive influences of trust on perceived preferred customer status show evidence for the "dark side" of buyer supplier relationships. The dark side of supplier relationships argues that well-established buyer-supplier relationships on the one side (the bright side) generate value, but also at the same time can have negative influences on the relationship (the dark side)[162]. A positive influence of trust on differences in perceived PCS can therefore be explained by "too much" trust in the relationship, leading the buyer to overestimate his preferred customer status. Results of the study by Villena et al. (2011) showed that relational capital can be harmful for performance if it is too excessive. When too much relational capital is involved this can lead, amongst other effects, to a loss of objectivity[163]. This loss of objectivity can serve as explanation why in this study mutual trust, as well as trust asymmetry on the buyer side lead to a higher

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[162] See Villena et al., 2011, p. 562
[163] See Villena et al., 2011, p. 571

tendency for discrepancies between buyer and supplier perceived preferred customer status, especially concerning the buyer's overestimation of his customer status. However, on the other hand mutual trust had a negative effect on the buyer's underestimation of preferred customer status. In a mutually trusting relationship, the buyer therefore is less likely to assume no preferred customer status when there actually is one, while at the same time he might assume that he is his supplier's preferred customer when in reality the supplier thinks otherwise. Mutual trust therefore only influences the buyer's tendency to misinterpret his preferred customer status more positive than it actually is, while at the same time reducing the tendency to neglect a PCS when the supplier actually seems to award one.

In case of trust asymmetry where the supplier trusts the buyer more than the buyer trusts the supplier it seems that the buyer tends to underestimate his customer status and might not see a preferred customer status when there actually is one. A buyer that is not trusting his supplier could be somewhat suspicious toward that supplier's actions and therefore might not correctly estimate his customer status. Wang et al (2010) found that when there is a discrepancy between the expected opportunistic behaviour and the actual behaviour, a certain type of suspicion arises and performance will be negatively affected[164]. They further argued that in case one actor already is suspicious, and fears a certain level of opportunism from his relationship counterpart, even less, or non-opportunistic behaviour does not seem to reduce the first actors perceptions, it even could lead to an increase in suspiciousness, as the first partner "attributes a dark side to the partner's observed behaviour"[165]. When the buyer has less trust in the supplier than vice versa, it is likely that he is somewhat suspicious of the supplier's actions and might assume a certain probability of opportunism from that supplier and therefore, could overlook a potential preferred customer status. This reasoning is also in line with Yamagishi (2001) who argued that distrusting actors often miss opportunities for benefiting from their relationships[166].

The insights from the additional analyses further add to the results from the first model. A first additional factor that was found to influence perception differences of PCS was market

[164] See Wang, Kayande, & Jap, 2010, p. 1120
[165] Wang et al., 2010, p. 1120
[166] See Yamagishi, 2001, p. 142

concentration from the supplier's point of view. Market concentration from the supplier view, i.e. the amount and concentration of buyers in the market, has a positive and significant effect on the buyer's underestimation of his preferred customer status. The higher the supplier's market is concentrated, i.e. the lower the amount of buyer's he can sell to, the more likely is the buyer to underestimate his preferred customer status. Pfeffer and Salancik (1978) argue that market concentration influences a company's ability to achieve desired outcomes in their market[167]. When the buyer through his environmental control can receive preferential treatment by the supplier, but is unaware that a preferred customer status exists, he is likely to underestimate this. Furthermore, in a more concentrated environment, the buyer might only through his market position and therefore unconsciously receive PCS and thus also could be prone to underestimation of his customer status.

The results of the second additional model confirm those of the first two models. When only the average difference is measured, mutual trust, the buyer's perceived knowledge about the supplier, as well as an over-trusting buyer and supplier market concentration have a significant effect on differing perceptions of PCS. These effects are in line with the previous two models. Those variables that had a positive effect on overestimation corresponded to a positive influence on the average perceived differences. Similarly, negative effects on perceived average difference in PCS corresponded to positive effects on underestimation. The effects of mutual trust, an over-trusting buyer, as well as the buyer's estimated knowledge about the supplier had positive path coefficients, they lead to increases in the perceived differences of preferred customer status which corresponded to their positive influence on the buyer's tendency to overestimate a preferred customer status. The supplier's market concentration, i.e. the amount of buyers as alternatives to the focal firm has a negative coefficient, which corresponded to a tendency to underestimate preferred customer status.

Furthermore, the buyer losing his objectivity about the relationship can also provide an explanation for the positive effect the buyer's knowledge about the supplier has on the differences in perceptions of PCS. The question measuring the buyer's knowledge provides an

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[167] See Pfeffer & Salancik, 1978, p. 67

insight of the buyer's own estimation of his knowledge about the supplier, which does not necessarily has to be fully objective or true. Accordingly, it can be argued that a buyer that thinks himself to have exceptional knowledge might not anymore estimate his knowledge fully objective which can lead him to misinterpret his customer status. When the buyer thinks he has exceptional knowledge of the supplier, might be overconfident about himself, which in line with Villena et al, (2011) could lead to a loss of objectivity in estimating the relationship with the supplier. A buyer that is too overconfident of himself also might suffer from a certain bounded rationality. The buyer's rationality becomes bound since he overestimates himself and therefore might also see a preferred customer status when there is none, or he is just a regular customer.

7. Conclusion: Attention should be paid to the influences of trust on perceived PCS to estimate a potential for PCS more precisely

7.1 When estimating a company's customer status the buyer should focus on the factors that can lead to deviating perceptions of PCS

In conclusion, it can be stated that especially the relational factor trust, and to some extent the length of the relationship significantly influence the differences in perception of preferred customer by the buyer compared to the supplier. On top of that, the buyer's knowledge about the supplier as evaluated by himself had a significant effect on perception differences. The strong positive effects of trust and the buyer's perceived knowledge of the supplier contribute to the literature on the "dark side" of buyer-supplier relationship by providing more ground for the argument that too much relational capital can also hamper the effectiveness of buyer-supplier relationships. The results show that there indeed are differences in the perception of preferred customer statues and that a buyer is quite likely to over- or underestimate his customer status with a certain supplier.

This paper contributes to the current literature in several ways. At first, it contributes to the current literature that aims to focus research buyer-supplier relationships in a more dyadic way, as dyadic studies are better able to grasp a more complete picture from both sides of the relationship. This study also employs a dyadic method, focusing on the buyer and supplier's perception of their eventual preferred customer relationship and the factors that could lead to

differing perceptions of that status. Therefore, it also adds to literature that focuses on perceptions of supply chains by different actors in the supply chain. Another theoretical contribution by this paper is adding to the literature on the preferred customer status itself. By focusing on this, quite new, concept in supply chain literature, the extant body of research is extended and further insight on the way this customer status develops and how differing perceptions by the actors in the supply relationship are influenced. It shows the factors that influence the buyer's estimation of PCS in comparison to the supplier's view. The factor that mainly influences this estimation is trust. On the other hand, dependence does not seem to have an influence on the way the buyer perceives his customer status.

On top of that, this paper also contributes to practice, by showing what factors influence the perceptions and over- and underestimation of the buyer about his preferred customer status, this study provides insights in the aspects that have to be paid attention to when trying to assess the company's customer status. The factors presented here can be used to focus on when trying to achieve preferred customership and can function as a guideline to show influences on differing results when buyer and supplier evaluate their relationship.

When a buyer is assessing whether he is indeed a preferred customer of a certain supplier, he should pay attention to the factors that have been presented here which tend to influence overestimation of the preferred customer status. These factors are mutual trust, an over-trusting buyer, as well as perceived knowledge of the supplier. Attention has to be paid to the "dark side" of the relationship. The question has to be asked, whether eventually too much relational capital has been invested in the relationship. The amount of mutual trust might be too high and the buyer's trust in the supplier could exceed the by the supplier reciprocated trust. Should this be the case, the buyer should consider, that he might be overestimating his preferred customer status. Paying attention to these factors can help companies to more precisely estimate their potential preferred customer status, which in turn can the company to reap all possible benefits from this customer status. Receiving preferential treatment from suppliers can lead to a competitive edge over competitors and lead to an increase in market share and firm performance.

7.1 Future research can profit from using additional methods for analysing the Data as well as a deeper theoretical Background

There are some limitations to this study that can be opportunities for future research. At first, there might be different approaches toward calculating dependence and trust asymmetries, as well as the buyer's over- and underestimation. In this study the results were first averaged and then split into new variables. Nevertheless, there might be other approaches in which the variables are split into new ones first and then the resulting variables are averaged. Such a calculation might lead to differing results of the PLS models. Future research therefore, might take this into account and calculate the differences in perceptions in a different way. Polynomial regression and qualitative comparative analyses (QCA) can for instance be used to gain additional insights on influences on overestimation of PCS.

Another limitation might be the studies sample size, which with only roughly 125 usable answers is quite small for such analyses. Using a larger sample size would increase the explanatory power of the study's results as well as its significances. On top of that future research in this field might take into account a more specifically tailored questionnaire which has a main focus on the variables that could influence PCS. This questionnaire used five items to measure the focal company's preferred customer status at the respective supplier. Future research might extent the measures for preferred customer status, by for instance additionally assessing the preferential treatment or the benefits the customer receives. By doing so, a clearer picture of the customer status and whether it really is a preferred customer can be assessed and used for the constructs.

Furthermore, future research could also put more research focus on the influences of trust and market concentration as main influencers on perceived differences, as well as on the arguments for a "dark side" of buyer-supplier relationships. Looking deeper into the "dark side" of buyer-supplier relationships can be beneficial since more evidence for potential negative effects of relational capital, such as trust, on the buyer's misinterpretation could maybe be found in that field of research. On top of that, a deeper look into how a buyer can recognise whether he is indeed over-trusting and therefore prone to overestimation could be a future research avenue.

Additionally, this study is to the author's knowledge the first to research differing perceptions of the preferred customer status, therefore future research and a deeper literature background also should prove to be beneficial for this research avenue.

8. Acknowledgements

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APPENDIX

A1: Conference Paper: Dyadic Perception Asymmetry

Based on the results of the study conducted before, a paper employing further methods of analysis, in order to gain further insights on perception differences by buyer and supplier was written in cooperation with Frederik Vos. At the time of finalising this thesis it was still work-in-progress, and therefore the contents are not yet final and may change in later versions. The same applies to the discussion and conclusions drawn at this point. Therefore the paper will not be included in this submitted version. Furthermore, the paper will be submitted as conference paper to the 2017 IPSERA conference in Budapest, Hungary. A current version can be requested from the authors.